



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
Attn: Mandatory Review, MC 4920 DAL  
1100 Commerce St.  
Dallas, TX 75242**

501.10-00

Number: **201240026**

Release Date: 10/5/2012

Date: June 20, 2012

LEGEND

ORG - Organization name

XX - Date Address - address

**Employer Identification Number:  
Person to Contact/ID Number:  
Contact Numbers:**

Voice:

Fax:

ORG

Address

Dear :

Pursuant to our records, you were held to be exempt from Federal income tax under section 501(c)(10) of the Internal Revenue Code (the Code).

Based on recent information received, we have determined you have not operated in accordance with the provisions of section 501(c)(10) of the Code. Accordingly, your exemption from Federal income tax is revoked effective January 1, 20XX. This is a final adverse determination letter with regard to your status under section 501(c)(10) of the Code.

We previously provided you a report of examination explaining why we believe revocation of your exempt status is necessary. At that time, we informed you of your right to contact the Taxpayer Advocate, as well as your appeal rights. On June 11, 20XX you signed Form 6018-A, *Consent to Proposed Action*, agreeing to the revocation of your exempt status under section 501(c)(10) of the Code.

You are therefore required to file Form 1120 U. S. Corporation Income Tax returns, for the years ended December 31, 20XX and December 31, 20XX with the Ogden Service Center. For future periods, you are required to file Form 1120 with the appropriate service center indicated in the instructions for the return.

You have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

Nanette M. Downing  
Director, EO Examinations

**Internal Revenue Service  
1100 Commerce Street  
Dallas, TX 75242**

**Department of the Treasury**

Date: June 11, 2012

LEGEND

ORG - Organization name

XX - Date Address - address

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Taxpayer Identification Number:

ORG

ADDRESS

Contact Numbers:

Phone:

Fax:

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Dear ,

We have enclosed a copy of our report of examination explaining why we believe an adjustment of your organization's exempt status is necessary.

If you accept our findings, please sign and return the enclosed Form 6018-A, *Consent to Proposed Action*. We will then send you a final letter modifying or revoking your exempt status.

If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final.

In the event of revocation, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the examining agent within 30 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track

Mediation Services referred to in Publication 3498, generally do not apply after issuance of this letter.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in the United States Tax Court, the United States Court of Federal Claims, or the United States District Court, after satisfying procedural and jurisdictional requirements.

You may also request that we refer this matter for technical advice as explained in Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M Downing,  
Director, EO Examinations  
Enclosure:  
Publication 892,  
Publication 3498,  
Form 6018-A,  
Report of Examination

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 12/31/20XX and 12/31/20XX

**LEGEND**

ORG – Organization name    XX – Date    State – state    Co-1 – 1<sup>st</sup> COMPANY

**ISSUES**

Do the activities of ORG further their exempt purpose?

**FACTS**

ORG was granted exemption under a group ruling under section 501(c)(10) a fraternal organization in August 20XX. Before being granted exemption the organization was a commercial business called CO-1. CO-1 applied for exemption under ORG for the purpose of being open on Sunday to serve alcoholic beverage. In State business that served alcohol on Sunday need a special license. To receive the license the business has to have 50% in food sales or be an exempt organization.

ORG did not change their operation after being granted exemption. The organization bar sales were still open to the public. ORG did not own any assets. The bank account was still under CO-1. ORG only holds the liquors license. The bar owner retained control and ownership of all assets, including building and land, under CO-1.

The organization purpose per their Articles of Incorporation was to promote fellowship among all living beings and to assist the underprivileged and well deserving in time of need. The organization does not perform any exempt activities. The organization does not devote all of its earnings to certain specified purposes (essentially religious, charitable, educational, scientific, literary, or fraternal purposes). The organization access was not limited to members only. The public was welcome and were not required to become a member of the organization.

**LAW**

**IRC, 20XX-CODE-VOL, SEC. 501. EXEMPTION FROM TAX ON CORPORATIONS, CERTAIN TRUSTS, ETC.**

**501(c)(10)** Domestic fraternal societies, orders, or associations, operating under the lodge system

**501(c)(10)(A)** the net earnings of which are devoted exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and

**501(c)(10)(B)** which do not provide for the payment of life, sick, accident, or other benefits.

“Fraternal” means a common tie or goal. A common tie requires more than just engaging in social activities. Even if members of an organization enjoy a common tie or goal, the organization does not serve a fraternal purpose unless its members engage in fraternal activities. Fraternal activities and benefits must be primary.

One of the requirements for tax exempt status for a fraternal organization is "operating under the lodge system." This means carrying on activities under a form of organization that is comprised

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of local branches chartered by a parent organization. The local branches, called lodges or chapters, must be separately organized and self-governing but operated under the general control and supervision of the parent lodge and subject to its rules, laws and edicts.

The members of a fraternal society must have a common fraternal bond. In order to have a common fraternal bond, the members must have adopted the same or very similar calling, avocation, profession, or be working in unison to accomplish some worth objective or common cause.

### **GOVERNMENTS POSITION**

The government recommends revocation due to the fact that there is no exempt purpose and State of State revoked the organization exemption. ORG was established for CO-1 to be granted a Sunday liquors license. The business continues to operates as a for profit enterprise. The assets still remain under CO-1. ORG held no exempt activities nor their members had any fraternal bond.

### **TAXPAYERS POSITION**

The taxpayer agreed with the agent on revocation.

### **CONCLUSION**

The organization agreed on the revocation of ORG exempt status. The organization has discontinued using ORG and reverted back to using their original EIN under CO-1.